



2010

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

COMPANY: Hansoll
COUNTRY: Indonesia
FACTORY CODE: 8500331051I
MONITOR: Andrew Teh
AUDIT DATE: December 14, 2010
PRODUCTS: Knit tops, Non-woven
bottoms
PROCESSES: Cutting, Sewing, Finishing
NUMBER OF WORKERS: 4921



CONTENTS:

Wages, Benefits and Overtime Compensation: Overtime Compensation Awareness.....	3
Forced Labor: Forced Overtime	4
Harassment or Abuse: Discipline/Review of Disciplinary Action	5
Harassment or Abuse: Violence/Harassment/Abuse	7
Non-Discrimination: Other - Non-Discrimination	8
Code Awareness:.....	9
Health and Safety: Other - Health and Safety.....	10
Hours of Work: General Compliance Hours of Work.....	11
Hours of Work: Meal and Rest Breaks	12
Hours of Work: Time Recording System	13

Wages, Benefits and Overtime Compensation: Overtime Compensation Awareness

WBOT.11 Workers shall be informed, orally and in writing, about overtime compensation rates prior to undertaking overtime. (P)

Noncompliance

Explanation: Some interviewed workers were not clear about the overtime wage calculation.

Plan Of Action: Post a notice for employees on overtime wage calculation.

Deadline Date: 12/15/2010

Supplier CAP:

Supplier CAP Date:

Action Taken: Notice was posted on a conspicuous place in order to educate employees on overtime wage calculation. Further, training regarding wages and benefits was conducted for employees during the hiring process. Photo of posted notice; photo of wages and benefits training; and overtime wage calculation document sent to the FLA for review.

Plan Complete: Yes

Plan Complete Date: 04/22/2011

Forced Labor: Forced Overtime

F.14 The imposition of mandatory overtime beyond the limits set by the law, a freely negotiated collective bargaining agreement, and/or the FLA Code, in an environment where a worker is unable to leave the work premises, constitutes forced labor. (S)

Noncompliance

Explanation: 1 worker was given a warning letter due to not working overtime.

Plan Of Action: Provide Disciplinary Action Standard to each member of HR Department staff to reinforce and notify them of the compliance standard in issuing warning letters.

Deadline Date: 12/21/2010

Supplier CAP:

Supplier CAP Date:

Action Taken: Disciplinary Action Standard was provided to each member of [Factory name's] HR Department staff to reinforce and notify them of the compliance standard in issuing warning letters. Warning letter was issued to a worker who voluntarily signed up for overtime, but left without noticing their supervisor. Copies of the disciplinary responsibilities and practice procedure were sent to the FLA for review.

Plan Complete: Yes

Plan Complete Date: 12/21/2010

Harassment or Abuse: Discipline/Review of Disciplinary Action

H&A.3 The disciplinary system shall include possibilities for workers to have disciplinary action imposed on them reviewed by someone at a higher managerial position than the manager who imposed the disciplinary action. In addition, such a system shall include the ability of a worker to appeal and/or question any disciplinary action against him or her and/or have a third party of his or her choice present when the disciplinary action is being imposed. (P)

Noncompliance

Explanation: 1 worker received a warning letter and was transferred from production operator to cleaning department without knowing the actual reason.

Plan Of Action: The transfer of a worker to another task/department may occur in circumstances below:

1. Upon the request of the employee himself/herself.
2. Due to production/workflow needs; urgent circumstances based on the workload.
3. The Human Resource team may place the employee in another department that would suit the employee better in case the worker is not able to carry out the duties assigned to her/him correctly at her/his current department.

In case of Points 2 and 3, Hansoll will ensure that:

1. There will be no changes in the employee's wage and benefits.
2. The factory informs the employee about the action, the rationale behind the action and the procedures.
3. CSR team check and discuss about the concern or questions that the employee may have.



Besides, the disciplinary procedures were reviewed and the procedures ensure that:

1. In case there is a disciplinary action taken against an employee, the employee may communicate any questions/concerns she/he has with the CSR team.
2. If the concern or question cannot be resolved, the employee may appeal and have a third party of his/her choice present when the disciplinary action is being imposed.
3. The disciplinary process shall be fully documented, and the disciplinary action imposed on them reviewed by someone at a higher managerial position than the manager who imposed the disciplinary action.

**Deadline
Date:** 12/21/2010

**Action
Taken:** Promotion, Transfer and Demotion policies, along with New Employee Transfer Form with space for CSR Manager's signature to monitor the fairness of the transfer submitted to the FLA for review. Disciplinary Practice and Procedure sent to the FLA for review.

**Plan
Complete:** Yes

**Plan
Complete
Date:** 12/21/2010

Harassment or Abuse: Violence/Harassment/Abuse

H&A.13 Employers shall ensure that the workplace is free from any type of violence, harassment or abuse, be it physical, psychological, sexual, verbal, or otherwise. Employers shall refrain from any action – and shall take all appropriate action to ensure that all workers refrain from any action – that would result in an intimidating, hostile or offensive work environment for workers. (S)

Noncompliance

Explanation: Some workers in the cutting department went on strike in October 2010 due to communication problems and harassment (verbal and psychological) issues with the manager. In addition, some workers in the finishing department were scolded by the manager with abusive words.

Plan Of Action: Reconciliation meeting was held successfully between the cutting department manager and the workers involved in the strike. The factory is conducting routine training (Hansoll COC, Indonesia culture, Indonesian language) for the foreign manager in order to prevent any misunderstanding caused by miscommunication in the future.

Deadline Date: 03/05/2011

Action Taken: In November 2012, the written policies and procedures on the Settlement of Harassment and Abuse were revised as follows: 5.7. Perpetrators of harassment and abuse shall be subject to immediate sanctions in accordance with company regulations and Local Labor Law. 5.7.1. Disciplinary measures for cases of harassment and abuse may include demotion or even immediate dismissal. 5.7.2. The person responsible for harassment or abuse is subject to immediate termination of employment under Hansoll CSR Policies. 5.7.3. Both the victim and CSR consider the violation to be relatively minor as to not warrant termination, the violator shall be transferred to another department. 5.8. CSR conducts routine training for all employees and managers. And perpetrators also shall undergo appropriate education and training to help correct their offensive or abusive attitude. 5.9. If required by law, the person responsible for harassment or abuse shall be reported and turned over to local authorities in accordance with Local Labor Law No. 2 2004. Harassment and Abuse Settlement Policy sent to the FLA for review.

Plan Complete: Yes

Plan Complete Date: 03/05/2011

Non-Discrimination: Other - Non-Discrimination

Other

**Uncorroborated Evidence of
Noncompliance**

Explanation: 1. The space of the prayer room and the time left for prayer were found insufficient.

2. Some workers paid some money to supervisors for promotions and better employment terms.

**Plan Of
Action:** 1. Make prayer room space and time for prayer sufficient for workers.
2. Prevent bribery from happening in the factory.

**Deadline
Date:** 12/20/2010

**Action
Taken:** 1. Workers in Factory 1 had insufficient time for prayer because the factory gate was locked during the break time and was only opened 15 minutes prior to working hours. Currently, the gate is unlocked during the break and time for praying is possible during working hours as well. Photos of unlocked door and of workers conducting prayer time sent for review.

2. We are putting our utmost efforts to prevent bribery at [Factory name]. One of our latest practices has been posting CSR hotline numbers to contact in case of any suspected bribery cases. Factory employees are strictly forbidden to ask for/receive money from new applicants and from other employees who are going to sign or prolong their contract or sign a promotion agreement as permanent workers or when new workers receive their ID Card. Policy was posted regarding bribery which includes HRD and CSR hotline in case workers wish to report bribery. Photo of the posted policy was sent to the FLA for review.

**Plan
Complete:** Yes

**Plan
Complete
Date:** 12/20/2010

Code Awareness:

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

Noncompliance

Explanation: Some workers were not clear about the code of conduct.

Plan Of Action: Provides code of conduct handbook to all employees. Regularly carry out training for workers.

Deadline Date: 12/20/2010

Action Taken: Factory provides code of conduct handbook to all employees; CSR Team and HR department regularly carries out retraining for the workers.

Sources: photos of code of conduct training, training documents and code of conduct handbook sent to the FLA for review.

Plan Complete: Yes

Plan Complete Date: 12/20/2010

Health and Safety: Other - Health and Safety

Other

Noncompliance

Explanation: 1. Some workers were smoking inside the toilets.
2. The canteen could only accommodate about 1,500 workers at a time, but the total number of workers is almost 5,000.

Plan Of Action: 1. Post "No Smoking" sign in toilets.
2. Remove empty cartons from canteen.

Deadline Date: 12/30/2010

Action Taken: 1. To prevent workers from smoking in the toilets, "No smoking" sign is posted on the toilet doors and regular announcements prohibiting smoking in the toilets are made. Photos of "No Smoking" signs, smoking area, and map of factory indicated where smoking area is sent to the FLA for review.
2. Empty cartons have been moved from the canteen; thusly, can accommodate approximately 4,500 workers at a time.

Plan Complete: Yes

Plan Complete Date: 12/30/2010

Hours of Work: General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

Noncompliance

Explanation: 1. Some workers worked 4 hours OT per day in August and September 2010. (Note: The law allows up to a maximum of 3 hours a day.)

2. 20 workers worked up to 60 hours a week August 2-6, 2010; 1 worker worked up to 60.5 hours a week August 9-13, 2010. (Note: The law allows max. 54 hours/week).

Plan Of Action: 1. Change working hours so there is less OT each day.
2. Reduce workers' hours so that they work within legal limits.

Deadline Date: 12/27/2010

Action Taken: Hansoll received a waiver from the local labor department that granted employees to work up to 60 hours per week. However, the factory will reinforce the working hour conditions to ensure that they abide to both local and our buyers' regulations. Letter from Labor Department and Transmigration Regarding Working Hours and Breaktime Waiver for 2011 sent to the FLA for review. Waiver says that factory can employ at the maximum 802 male employees and 3,983 female employees for a maximum of 10 hours per day and 60 hours per week with the condition that OT work can only be conducted in unavoidable situations.

Plan Complete: Yes

Plan Complete Date: 12/27/2010

Hours of Work: Meal and Rest Breaks

HOW.3 Employers shall provide reasonable meal and rest breaks, which, at a minimum, must comply with local laws. (S)

Noncompliance

Explanation: All workers work 5 hours consecutively without a break (Note: The law specifies a minimum 30 minute rest after 4 hours of work.)

Plan Of Action: One of the main reasons for this practice is to ensure that all employees have sufficient time for lunch and conduct noon prayer that falls within 12.00. We also have an approval from local labor department regarding this practice.

Deadline Date: 12/15/2010

Action Taken: On November 7, 2012, factory management held a Bipartite Meeting seeking workers' consent to the working hours and break times. Employees consented that they have break time after 5 hours of working, as it is in accordance with the Muslim prayer times (most of employees of [Factory name] are Muslims). Policy from the Department of Labor and Transmigration sent to the FLA for review. Policy says that "Herewith we give a recommendation that breaktime between working hours that supposedly given for 30 minutes after 4 hours of consecutive hours to after 5 hours of consecutive hours." Photos of Bipartite meeting, results from the Bipartite meeting and list of meeting participants sent to the FLA for review.

Plan Complete: Yes

Plan Complete Date: 11/07/2012

Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: Working hours records for some monthly paid workers were incomplete.

Plan Of Action: Continuously monitor the working hours records for monthly paid workers.

Deadline Date: 03/28/2011

Supplier CAP: CSR Team and HR department are continuously monitoring the working hours records for monthly paid workers. Further training regarding the matter will be conducted by both CSR Team and HR department if any incomplete records occur. Photo of training on clocking in and out and completely filled-in timesheets sent for review.

Supplier CAP Date:

Action Taken:

Plan Complete: Yes

Plan Complete Date: 03/29/2011
